

26 October 2020

Ms Nicola Falcon
A/Chief System Design & Engineering Officer
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

By email: [REDACTED]

Dear Nicola

Re: Feedback loop confirmation: Victoria to New South Wales Interconnector (VNI) Minor Upgrade

The purpose of this letter is to seek AEMO's written Feedback Loop confirmation for the VNI Minor Upgrade (VNI or the Project), in accordance with rule 5.16A.5 of the Integrated System Plan (ISP) National Electricity Rules¹ (NER).

Under rule 5.16A.5 of the NER, prior to lodging our Contingent Project Application (Application) to the Australian Energy Regulator (AER), we must obtain AEMO's written confirmation in respect of the Project (Feedback Loop)² that:

- (a) the preferred option addresses the relevant identified need, and aligns with the optimal development path, in the most recent ISP, and
- (b) the cost of the preferred option does not change the status of the project as part of the optimal development path.

Our Application to the AER for VNI will include a total costs of \$47.0 million (\$Real 2017-18)³ for delivering the NSW component of VNI. This reflects the final outcomes of our tender process with Smart Wires for the modular power flow controllers and our competitive procurement processes for the sub-station, transmission line and secondary system works. This will ensure that customers are paying no more than they should be for the services that they will receive.

AEMO's Final 2020 ISP⁴ includes VNI on the optimal development path at a total project cost of \$105 million for the Victorian and NSW components of the project and concludes that VNI is a 'no regret 'actionable ISP' project that is 'critical to address cost, security and reliability issues' in the NEM.⁵

In order to allow us to lodge our Application with the AER by Friday 30 October 2020, I request that by Wednesday 28 October 2020, AEMO provides written Feedback Loop confirmation in respect of VNI at

¹ In accordance with clause 11.126.5 of the NER (under the savings and transitional arrangements)

² In accordance with clause 5.16A.5(b) of the Rules

³ This comprises capex of \$45.0 million (Real \$2017-18) and opex of \$2.0 million (Real \$2017-18). This is equivalent to \$47.6 million (\$2019-20).

⁴ AEMO, Final 2020 Integrated System Plan, July 2020 (Final 2020 ISP). Found at Link

⁵ AEMO, Final 2020 ISP, July 2020, page 14 and 84.

a cost of \$47.0 million (\$Real 2017-18) for the NSW component of the Project. AEMO has advised us that:

- > it has already received the costs for the Victorian component of the Project, which are confidential at this time, and
- > it will undertake its Feedback Loop confirmation on the total Project costs (the costs for both NSW and Victorian components of the Project).

We look forward to receiving AEMO's written Feedback Loop confirmation for VNI. If you have any questions on this letter, please contact our Head of Regulation, Stephanie McDougall, on

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Yours sincerely



Jason Conroy
Chief Financial Officer